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Soybean, Soybean Meal and Vegetable Oil Update 2007

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Report Highlights: Vietnam's soybean production continues to fall short of expectations. High production costs, low yields and a lack of commercial crushing capabilities all contribute to the slow growth. Reductions in import tariffs have prompted increases in imports of soybeans and refined vegetable oil. Soybean meal imports continue to rise in response to demand from a thriving animal and aquaculture feed industry. Vietnam's soybean meal imports for 2006 are expected to exceed a million and a half metric tons.

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SECTION I: SITUATION AND OUTLOOK**SOYBEANS****Production**

Vietnam's soybean production continues to be negligible, even as the growing area increases, due to low yield. Production figures for 2005, nonetheless, point to an improvement in yield over previous years, and estimates for 2006 suggest this will continue. According to the Ministry of Agriculture and Rural Development (MARD), soybean production in 2005 was 292 thousand metric tons (tmt), which represents an increase of 20.2 percent over 2004. This translates into an average crop yield of 1.43 metric tons per hectare (mt/ha), which is a 7.5 percent improvement over 2004. Production for 2006 is forecast to increase only 5.8 percent to 309 tmt, owing to a projected smaller increase in growing area. (see Table 1 & PSD table)

Table 1: Vietnam Soybean Production

	2002	2003	2004	2005	*2006
Crop area (thousand ha – tha)	158	166	183	204	210
Crop yield (mt/ha)	1.27	1.33	1.33	1.43	1.47
Total production (tmt)	201	220	243	292	309

*2006 figures are estimates

Source: General Statistics Office (GSO) and MARD

Vietnam has set ambitious targets for local soybean production. The Ministry of Agriculture and Rural Development envisions a growing area of 280 tha with a production output of 420 tmt by 2007. Yet another goal seeks to expand annual soybean production to 800 tmt by 2010. However, given current low yields, high production costs and a lack of commercial crushing capacity these targets seem unlikely to be attained. Local grade one soybean (food grade) currently retails for VND 11,000 -12,000/kg (or \$685-750/mt) while imported U.S. food grade soybean is quoted at \$525-546/mt, underscoring a clear price advantage of imported soybean over local production. There will, no doubt, always be a place for local soybeans, particularly in domestic consumption, but it is unlikely that production levels will be high enough to meet the demands of a crushing industry geared to meeting Vietnam's demand for soybean meal and oil.

Vietnam currently grows traditional soybean varieties. Low crop yields and high input costs make production very costly and deter farmers from expanding cultivation areas. Genetically modified (GM) soybeans could help Vietnam cut high input costs and possibly increase output levels. Both researchers and growers have expressed interest in GM soybeans, particularly Bt varieties, as controlling pests is more important than herbicide resistance for Vietnamese soybeans.

The Government of Vietnam ratified a bio-safety law (see VM5062) in August 2005 that provides the legal framework for the cultivation and trade of GM crops in Vietnam. Soybean was one of four commodities (soybean, cotton, corn and flowers) selected by MARD for initial GM cultivation in Vietnam. Since then, MARD has been working to get government approval for field testing guidelines and bio-safety certification, both of which are needed before commercial production can begin. In view of the slow progress in this endeavor, it is doubtful that Vietnam will be growing GM soybeans commercially by 2010 as anticipated.

Consumption

Given Vietnam's lack of commercial crushing capabilities, the bulk of locally produced soybeans is used in the production of soy-based food products like soy sauce, tofu products and soymilk beverages. Only a tiny portion of lower-quality soybeans is used for animal feed in the form of full-fat soybeans.

Reportedly Vietnam has had a vision to build two soybean crushing plants, one in the North and one in the South, but to date neither plant has materialized. Foreign investors from Taiwan, Hong Kong and the United States have also explored the possibility for investment in oilseed crushing in Vietnam, but they too have finalized no plans thus far.

Demand for soybeans by the food industry, especially from manufacturers of soymilk beverages and vegetable oil, will continue to grow as awareness of the benefits of healthy foods increases. The Ministry of Agriculture and Rural Development projects that by 2010 Vietnam will need 750 to 800 tmt of soybeans. This assumes that no crusher will be built prior to this time.

Imports

Vietnam imports a small amount of whole soybeans (both food and feed grades) for the food processing industry; mainly for soybean milk production. Vietnam also imports some low quality soybeans for animal feed. Much of Vietnam's imported soybeans are supplied by China, Cambodia, Thailand, Canada and the United States.

Soybean import figures for the first 10 months of 2006 indicate a sharp increase over previous years. Reports are that over 32 tmt of soybeans were imported into Vietnam during the first ten months of 2006. This represents an increase of at least 60 percent over the usual estimate of 20 tmt per year. China was reportedly the largest supplier with 26 tmt. This increase is no doubt attributable to the sizeable reduction in the import duty on soybeans. (see Import Tariff below) Post estimates Vietnam's 2006 soybean imports at 35 tmt (see Table 4, PS&D for soybeans)

U.S. soybean exports continued to benefit from the import duty reduction provisions (5% vs. 15%) of the bilateral agreement with Vietnam. Since ratification of this agreement in 2004, imports of U.S. soybeans have increased from only 380 metric tons in 2004 to 2,496 mt for the first ten months of 2006; a 102 percent increase over the same period in 2005.

Import Tariff

- The tax rate applied to soybean imported from countries having Most Favored Nation Treaty (MFN) status with Vietnam (effective September 15, 2006):
 - Import duty rate: 5%.
 - Vat: 5%
- Tax rate applied to soybean imported from ASEAN countries (in accordance with the agreement of Common Effective Preferential Tariff of ASEAN countries – CEPT/ASEAN FREE TRADE AGREEMENT):
 - Import duty rate: 0%.
 - Vat: 5%

SOYBEAN MEAL

Production

Vietnam's domestic soybean meal production is very small. There are no industrial-scale crushing facilities in Vietnam, so most local soybean production is used for human consumption. The now booming animal and aquaculture feed industry must therefore rely on imported soybean meal to meet its needs.

For soybean meal PS&D table (Table 5 below), post uses estimation that Vietnam produces no soybean meal.

Imports

Vietnam's leading soybean meal importers include both animal feed mills and trading companies. In general, only large-scale animal feed mills like Thailand's CP group, United States' Cargill, French-Vietnamese Proconco, Taiwan's Uni-President, and Vietnam's Lai Thieu, Aflix and Dabaco directly import soybean meal. Smaller, mostly locally-owned animal feed companies purchase soybean meal from local trading and importing companies like Quang Dung, Amasco and Aflix, to name a few.

In 2005, Vietnam imported around 1,247 tmt of soybean meal, over 31 percent more than the previous year, in order to meet the demands of a now thriving animal and aquaculture feed industry. Reports are that total animal feed production (including compound and home-made feed) in 2005 was about 13,737 tmt, an increase of 30 percent over 2004's 10,597 tmt. This increased demand is attributed to a poultry sector in recovery from the ravages of Avian Influenza as well as increases in the swine, goat and cattle population. Over 70 percent of animal feed is allegedly used in pig rearing, and data from the Ministry of Agriculture and Rural Development indicate that the pig population increased 5 percent, in 2005, to a total of 27,434 heads.

Argentina and India remain the two largest suppliers of soybean meal to Vietnam. Other suppliers of note are Brazil, China, Thailand and the United Arab Emirates. In 2005, U.S. soybean meal exports to Vietnam totaled 18.6 tmt, a slight increase over the 2004 level. (see Table 2) While Vietnam's animal feed manufacturers like U.S. soybean meal for its high quality, they are drawn to soybean meal from Argentina and India because of the lower price. Average import prices in 2005 were \$264/mt for U.S. soybean meal, \$262/mt for Argentina's and \$249/mt for soybean meal from India.

Vietnam also imported other oilseed meals in 2005. These were namely rapeseed meal, copra meal and palm nut meal from neighboring countries like Malaysia and Indonesia. Trade data indicate that over 150 tmt of other meals, including peanut meal and palm meal, were imported into Vietnam in 2005.

Post revises Vietnam's 2005 soybean meal import total to 1,247 tmt from the previous estimate of 1,150 tmt. (see PS&D table)

Table 2: Vietnam Soybean Meal Imports by key suppliers (quantity: tmt)

	2002	2003	2004	2005	2006 (Jan-Oct)
Total Imports:	785	990	950	1,247	1,470
USA	26	44.5	17.5	18.6	24
India	300	240	380	483	771
Argentina	330	680	520	575	534
China	30	25	5	0.7	0.4
Brazil	45	n/a	n/a	42	59
UAE	n/a	n/a	3.5	101	32

Source: Estimates from Traders

Vietnam's soybean meal imports continue to increase in keeping with growing demand from a vibrant animal and aquaculture industry. Soybean meal imports for the first ten months of 2006 are estimated at 1,470 tmt, with total imports for 2006 expected to reach as high as 1,550 tmt, an increase of 24.3 percent over 2005. While animal feed production levels are projected to remain constant at the 2005 level, strong demand for soybean meal persists as the ratio of compound feed to homemade feed is expected to reach as high as 40 to 45 percent. India enjoyed the largest share of the soybean meal import market at 50 percent, with Argentina coming second with 36 percent.

Compound feed production was reported at about 38.9 percent of total animal feed production in 2005, while in 2004 the ratio was 36.8 percent, and in 2000, only 25 percent. This shift in demand for compound feed is being attributed to a change in the dynamics of animal husbandry, which is purportedly moving away from the backyard to a more commercial scale. Better marketing efforts on the part of animal feed manufacturers have also received credit for the higher demand for soybean meal in the industry.

Current retail price for imported soybean meal is around VND 3,400-3,800/kg (\$236/mt), an increase of VND 100-200/kg over the price of a few months ago due to higher import prices.

In 2007, Vietnam's soybean meal import should continue to increase to meet higher demand from the animal and aqua feed industry. Post estimates Vietnam's 2007 soybean meal import at 1.6 - 1.7 million metric tons.

Import Tariff

- Import duty rate: 0%
- VAT: 5%

VEGETABLE OIL INDUSTRY

Production

Vietnam's edible vegetable oil production in 2005 was estimated at 371 tmt, up 3 percent from 2004. The production estimate for 2006 is 410 tmt, an increase of 10.5 percent over 2005. Vietnam plans to increase production levels to 660 tmt by 2010, and export as much as 100 to 150 tmt of this amount. As part of the preparation for achieving these targets, two vegetable oil refining lines, with capacities of 100 mt/day and 600 mt/day respectively, will be put into operation by 2007. The industry will also invest in modernizing existing vegetable oil refining facilities.

Imports of Vegetable Oil and Soybean Oil

The vegetable oil industry uses both domestic (mainly sesame and peanut) and imported (mainly palm and soybean) crude oils for vegetable oil production. Vietnam's vegetable oil industry must rely on imported crude oil because of a limited capacity for expelling sesame and peanuts and a lack of industrial scale crushing facilities in Vietnam.

Imports of crude vegetable oil

Industry reports are that in 2005, Vietnam imported about 277 tmt of crude palm oil and 73 tmt of crude soybean oil. Malaysia supplied the largest quantity of crude palm oil at 223 tmt, with Indonesia ranking second with 52 tmt. Argentina, Thailand and Malaysia were the

major suppliers of crude soybean oil. About 74 metric tons of Vietnam's imported crude soybean oil was from the United States. Small quantities of other crude oils, such as sunflower oil, were also said to be imported in 2005.

During the first 10 months of 2006, Vietnam imported 74 tmt of crude soybean oil, 42 tmt of which was from Argentina, 11 tmt was from Malaysia and 20 tmt was from Thailand. Post estimates Vietnam's 2006 soybean crude oil imports at 80 tmt.

Imports of refined vegetable oil

Vietnam also imports a small quantity of refined vegetable oil, mainly olive and soybean oils. The high import tariff of 50% on refined oil has slowed growth in this sector. In 2005, about 220 mt of refined soybean oil was imported from France, Thailand, China, Singapore and South Korea. Olive oil imports were valued at \$160 thousand and came mainly from France, Italy and Spain.

Refined vegetable imports experienced some growth in 2006 in response to a reduction in the import duty rate, which declined to 30% as of September 15. The increase was particularly noticeable for olive oil imports, valued at \$252 thousand for the first 10 months of 2006, which is 58% more than total imports for 2005.

Vietnam's total import of soybean oil (including crude and refined oils) in 2005 was about 74 tmt. Post revises Vietnam's 2005 soybean oil import to 74 tmt from the previous estimate of 78 tmt. Post estimates Vietnam's 2006 soybean oil imports at 80 tmt. (see PS&D Table 6)

Exports

Vietnam exports small amounts of vegetable oil (mainly sesame oil and rice bran oil) to China and the Middle East. Despite ambitious plans for future oil exports of up to 167 tmt by 2010, Vietnam's exports of edible oils remain negligible due to high production cost.

Consumption

Currently, Vietnam's per capita vegetable oil consumption is estimated at 4.5-5.0 kg/person/year. The government expects vegetable oil consumption to increase to 8 kilograms per person per year by 2008.

Import Tariff

- The tax rate applied to **crude and refined vegetable oils** imported from countries having Most Favored Nation Treaty (MFN) status with Vietnam (effective September 15, 2006):

	Crude Oil (soybean, palm)	Refined oil (soybean, olive)
Import duty (9/15/06)	5%	30%
by 2010		Reduced to 15% for soybean oil
by 2012		Reduced to 20% for olive oil

- The import tax applied to concentrated palm stearin is 30%.

- As Vietnam fulfills its commitment to implement the Common Effective Preferential Tariffs (CEPT) agreement with Southeast Asian countries (ASEAN), the domestic vegetable oil industry and oil imports from other countries will no doubt face stiff competition from refined oil imports from ASEAN countries, given their lower import tax rate. Table 3 details Vietnam's CEPT rates for soybean, olive and palm oils from 2006 to 2013.

Table 3: Vietnam's CEPT Rate for Soybean, Olive and Palm Oils

Code			Description	CEPT RATE							
				2006	2007	2008	2009	2010	2011	2012	2013
1507			Soybean oil and its fractions, whether or not refined, but not chemically modified								
1507	10	00	- Crude oil, whether or not degummed	3	3	3	3	3	3	3	3
1507	90		- Other								
1507	90	10	-- Refined oil	5	5	5	5	5	5	5	5
1507	90	20	-- Fractions of unrefined soybean oil	3	3	3	3	3	3	3	3
1507	90	90	-- Other	5	5	5	5	5	5	5	5
1509			Olive oil and its fractions, whether or not refined but not chemically modified								
1509	10		- Virgin								
1509	10	10	-- In packing of net weight not exceeding 30 kg	0	0	0	0	0	0	0	0
1509	10	90	-- Other	0	0	0	0	0	0	0	0
1509	90		- Other								
			-- Refined oil								
1509	90	11	--- in packing of net weight not exceeding 30 kg	5	5	5	5	5	5	5	5
1509	90	19	--- Other	5	5	5	5	5	5	5	5
			-- Fractions of unrefined oil								
1509	90	21	--- in packing of net weight not exceeding 30 kg	0	0	0	0	0	0	0	0
1509	90	29	--- Other	0	0	0	0	0	0	0	0
			-- Other								
1509	90	91	--- in packing of net weight not exceeding 30 kg	5	5	5	5	5	5	5	5
1509	90	99	--- Other	5	5	5	5	5	5	5	5
1511			Palm oil and its fractions, whether or not refined, but not chemically modified								
1511	10	00	- Crude oil								
1511	90		- Other								
1511	90	10	-- Concentrated palm stearin	5	5	5	5	5	5	5	5
1511	90	90	-- Other	5	5	5	5	5	5	5	5

Source: Ministry of Finance

SECTION II: STATISTICAL TABLES

Table 4: Vietnam's Production, Supply & Demand Table for Soybeans**PSD Table**

Country	Vietnam								
Commodity	Oilseed, Soybean								
	(1000 HA)			(1000 MT)					
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Area Planted	0	0	0	0	0	0	0	0	0
Area Harvested	183	0	204	185	0	210	190	0	280
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	243	0	292	245	0	309	250	0	410
MY Imports	6	0	16	6	0	35	3	0	35
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	249	0	308	251	0	344	253	0	445
MY Exports	0	0	0	0	0	0	0	0	0
MY Exp. To EU	0	0	0	0	0	0	0	0	0
Crush	0	0	0	0	0	0	0	0	0
Food Use Dom. Cons.	180	0	239	185	0	274	185	0	385
Feed Waste Dom. Cons.	69	0	69	66	0	70	68	0	70
Total Dom. Cons.	249	0	308	251	0	344	253	0	455
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	249	0	308	251	0	344	253	0	455
CY Imports	0	0	0	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0	0	0	0
CY Exp. To U.S.	0	0	0	0	0	0	0	0	0

Table 5: Vietnam's Production, Supply & Demand Table for Soybean Meal**PSD Table**

Country	Vietnam								
Commodity	Meal, Soybean								
	(1000 MT)			(PERCENT)					
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Crush	0	0	0	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
MY Imports	1106	0	1247	1400	0	1550	1500	0	1600
MY Imp. from U.S.	0	0	18.6	0	0	30	0	0	30
MY Imp. from EU	0	0	0	0	0	0	0	0	0

Total Supply	1106	0	1247	1400	0	1550	1500	0	1600
MY Exports	0	0	0	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0
Feed Waste Dom. Cons.	1106	0	1247	1400	0	1550	1500	0	1500
Total Dom. Cons.	1106	0	1247	1400	0	1550	1500	0	1500
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1106	0	1247	1400	0	1550	1500	0	1500
CY Imports	0	0	0	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0
SME	1106	0	1247	1400	0	1550	1500	0	1500

Table 6: Vietnam's Production, Supply & Demand Table for Soybean Oil**PSD Table**

Country Commodity	Vietnam			(1000 MT)(PERCENT)					
	Oil, Soybean								
	2004 Revised			2005 Estimate			2006 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2005			01/2006			01/2007		
Crush	0	0	0	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
MY Imports	1	0	74	27	0	80	20	0	85
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	1	0	74	27	0	80	20	0	85
MY Exports	0	0	0	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0
Food Use Dom. Cons.	1	0	74	27	0	80	20	0	85
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0
Total Dom. Cons.	1	0	74	27	0	80	20	0	85
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1	0	74	27	0	80	20	0	85
CY Imports	0	0	0	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0